Supreme Court, U.S.
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In The
Supreme Court of the United States

October Term, 1994

JOHN L. GRADY
Petitioner,

vs

SOVEREIGN ORDER OF SAINT JOHN
OF JERUSALEM, INC., ET AL.
Respondents.

**Petition for Writ of Certiorari
To the United State Court of
Appeals for the Sixth Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a trademark infringement defendant may challenge the incontestable status of a registered mark which "falsely suggest(s) a connection with***institutions, beliefs, or national symbols" or that "consists of or comprises the flag or coat of arms or other insignia *** of any foreign nation ***." Lanham Act, Sections 2(a) and (b), 15 U.S.C. 1052(a) and (b).

2. Whether the Lanham Act can be applied, consistently with the First Amendment to the United States Constitution, to prohibit the use of a collective membership mark by those claiming membership in an organization, without first determining the registrability of the mark

or the identify of the organization to which it belongs, when the very purpose of a collective membership mark is to show membership in an organization.

3. Whether it is consistent with the Lanham Act's policy to accord a mark incontestable status after five years of continued use, and to issue an injunction on that basis, when no proof of registrability has been considered by the court and the record makes it unreasonable to presume that the initial prima facie showing of registrability can not be rebutted, and there is therefore no rational basis for transforming an inherently defective and unregistrable mark into one that may not be contested by the alleged infringer just because of the passage of time.

LIST OF ALL PARTIES TO THE PROCEEDINGS

The parties to the proceeding in the Court of Appeals for the Sixth Circuit were:

Petitioner:	Dr. John L. Grady, who was the defendant-appellant and cross-appellee; and
Respondents:	The Sovereign Order of Saint John of Jerusalem, Inc., and the Sovereign Order of Saint John of Jerusalem, who were appellees and cross-appellants.

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JOHN L. GRADY

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SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM, INC., ET AL.

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Petitioner John L. Grady requests this Court issue a writ of certiorari to review the judgment and opinion of the United States Court of Appeals for the Sixth Circuit, entered in this action on July 14, 1997, which partially affirmed and partially reversed a judgment of the United States District Court for the Eastern District of Tennessee.

OPINIONS BELOW

The order denying Dr. Grady's petition for rehearing in the Sixth Circuit Court of Appeals is in Appendix A. The order granting in part the respondents' petition for rehearing is in Appendix B. The judgment of the Sixth Circuit Court of Appeals is in Appendix C. The opinion giving the reasons for that judgment is reported as Sovereign Order of Saint John of Jerusalem, Inc. v. Grady, 119 F.3d 1236, 43 U.S.P.Q.2d 1462 (6th Cir., 1997), is in Appendix D. The 'judgment and injunction' and 'memorandum' of the United States District Court for the Eastern District of Tennessee which have not been published are in Appendices E and F.

JURISDICTION

The judgment of the Court of Appeals for the Sixth Circuit was entered on July 14, 1997. A timely petition for rehearing was denied by the Court of Appeals on August 28, 1997. The jurisdiction of the United States Supreme Court rests upon 28 U.S.C. 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

This case involves the provisions of the Lanham Trademark Act, 15 U.S.C. 1051, et seq. The relevant sections of the act are reproduced in Appendix G.

STATEMENT OF THE CASE

This case began over fourteen years ago. On July 25, 1983, the Sovereign Order of Saint John of Jerusalem, Inc., a Delaware corporation, filed a complaint in the United States District Court for the Eastern District of Tennessee. The complaint sought injunctive relief, alleging that three individuals, including Petitioner John L. Grady, had infringed the corporation's registered collective membership mark.

The plaintiff corporation moved for a preliminary injunction on August 30, 1983, asking for an order restraining the defendants from using the collective membership mark, "Sovereign Order of Saint John of Jerusalem - Knights of Malta" and from representing themselves to be members

or officials of an ancient theocratic order known as the Sovereign Order of Saint John of Jerusalem. The defendants moved for summary judgment. Their motion was never ruled upon.

On October 3, 1983, Judge Milburn, the district court judge, issued a memorandum on the pending motions and entered an order denying the corporation's motion for a preliminary injunction. He further ordered that all proceedings in Tennessee be stayed pending the outcome of a similar case in Pennsylvania. On October 31, 1983, the plaintiff corporation appealed to the Sixth Circuit Court of Appeals.

On October 30, 1984, the Sixth Circuit affirmed the decision of Judge Milburn. The court stated, in its per curiam opinion:

> The plaintiff has not pointed to any evidence before us on appeal which demonstrates that defendants have appropriated a trade or collective mark which belongs to plaintiff or that there is a likelihood of success on the merits, and neither has it demonstrated public confusion over the matter or irreparable injury.
>
> Sovereign Order of Saint John of Jerusalem, Inc. v. John L. Grady, William Von Peters, and Benjamin F. Von Stahl, Sixth Circuit Court of Appeals No. 83-5825, unreported (Oct. 30, 1984), at pages 1-2.

The case was remanded to the district court. Judge Milburn was appointed to the Sixth Circuit. The case was then assigned to Judge Edgar.

Judge Edgar issued a show cause order as to why the matter should not be set for trial. On July 29, 1985, Judge Edgar ordered that the stay previously entered

would remain in effect. The case remained dormant for six years. On June 10, 1991, the court entered an order closing the case statistically, providing however that any party could initiate further proceedings if necessary.

On April 19, 1994, the plaintiff Delaware corporation moved to set aside the stay and filed an amended complaint for declaratory judgment, injunctive relief, damages, and attorney fees. The amended complaint also added a plaintiff: the Sovereign Order of Saint John of Jerusalem - Knights of Malta, described as an ancient theocratic sovereign state without territory. The complaint also joined RICO and common law fraud counts against the three defendants, Grady, Von Stahl, and Von

Peters.

The defendants filed an answer and counterclaim in which they denied that the newly added ancient theocratic order could be a proper party plaintiff. On December 19, 1994, the defendants filed a new motion for summary judgment.

On September 20, 1995, Judge Edgar issued a memorandum in which he denied the defendants' motion for summary judgment as to trademark infringement and unfair competition claims, but granted their motion on the plaintiffs' RICO claims.

On September 26, 1995, the plaintiffs/counter-defendants moved for judgment on the pleadings. On October 12, 1995, Judge Edgar issued a memorandum which granted the plaintiffs' motion for judgment

on the pleadings. The accompanying order granted judgment on the pleadings to the plaintiff and denied several of the defendants' motions, including their request to file an interlocutory appeal.

Defendants Von Stahl, then 90 years of age, and Von Peters then entered into consent judgments and were dismissed as defendants. Dr. Grady continued to defend alone.

On October 17-19, 1995, a trial was had solely on the issue of damages. The jury was charged and given special interrogatories. The jury found that Grady had knowingly infringed the collective membership mark, that Grady had unfairly competed with the plaintiff corporation, and, that Grady had falsely designated the

origin of the Delaware corporation's collective membership mark. The jury, however, awarded no damages.

On October 20, 1995, judgment was entered for the plaintiffs, granting them an extremely broad injunction against Grady. On October 30, 1995, plaintiffs moved for an award of attorney fees. Grady filed a motion for judgment notwithstanding the verdict or for a new trial; and on November 9, 1995, Grady moved to cancel, modify or clarify the injunction against him. On January 23, 1996, all of these motions were denied. On February 1, 1996, plaintiffs filed a motion to amend the judgment filed. That motion was also denied.

On February 21, 1996, Dr. Grady filed a notice of appeal from the district court's

decision to the Court of Appeals for the Sixth Circuit. On March 13, 1996, the plaintiffs also filed a notice of appeal, from the decision denying them an award of attorney fees.

On July 14, 1997, the Sixth Circuit issued its opinion. The court partially affirmed and partially reversed the judgment of the district court. The court affirmed the injunction against Grady to the extent that the injunction prohibited him from using the registered collective membership mark. However, the injunction was broader than that. It also prohibited Grady from using **un**registered marks and symbols and names of the order, such as "Hospitalers of Jerusalem, Knights Hospitalers, Knights of Saint John, The Religion, The Sovereign

Order," and other names by which the order is known. This aspect of the injunction was vacated. It could not be supported by the claim for false designation of origin, under federal law, or by the claim for unfair competition under state law.

The Court of Appeals said the Lanham Act reaches infringement of only a registered name or mark. The federal claim of false designation of origin could support an injunction against use of an unregistered mark, but there was an infirmity in the jury's finding on that claim, an ambiguity in the jury interrogatory directed to the false designation claim. It was not clear whether the jury's finding on that claim was based on use of a registered or an unregistered mark. Further, the injunction

against use of unregistered marks or symbols could not stand upon a finding of unfair competition under state law. The lower court had used an erroneous legal standard in instructing the jury on Tennessee's law of unfair competition. The case was therefore remanded for a new trial "on the claims of federal false designation of origin and state law unfair competition with respect to unregistered, common law marks, symbols and names." Sovereign Order of Saint John of Jerusalem, Inc., v. Grady, 119 F.3d 1236, 1244. The rest of the injunction, founded upon violation of the Lanham Act, was affirmed.

Both sides filed petitions for rehearing with the Sixth Circuit Court of Appeals. Both petitions were substantially

denied. Dr. Grady's petition was denied August 28, 1997. The respondents' petition was granted only to the extent of removing from the court's opinion a sentence which may have reflected poorly on the corporation. Speaking of the corporation and its licensing of the Order's mark, the sentence had said: "Predictably members could not obtain a license without paying a substantial fee."

STATEMENT OF FACTS

To give proper consideration to the merits of the petitioner's argument, one need only refer to and rely upon the statement of facts in the Court of Appeals' opinion. *(App. D, p. 8a.)* However, the petitioner believes that a better assessment of the merits of the petition can only be

made after reading the more protracted statement of facts, largely uncontested, which the litigants placed in the trial record.

The Sovereign Order of Saint John of Jerusalem is a theocratic and military state founded in A.D. 1048 in Jerusalem, the Holy Land. During the periods indicated, it ruled Jerusalem (1048-1291), Cyprus (1292-1310), Rhodes (1311-1523), and Malta (1530-1798). The Order still claims sovereignty to the island of Malta pursuant to the Treaty of Amiens, March 27, 1802.

Attacked by the forces of Revolutionary France under Bonaparte in 1798, the Order fled from Malta to the Russian Empire and placed itself under the imperial protection of the Tsar. The amended complaint alleged

that the Order remained in Russia until 1908, when it transferred its seat to the United States, where it now exists as a state without a territory. Although both parties asserted in their pleadings that the Order was a religious organization in origin, nature and function, the district court disagreed and said it was like a fraternal order.

During the past 900 years this religious and military Order of knighthood has been known under various names, such as Hospitalers, Knight Hospitalers, Knight Hospitalers of Jerusalem, Order of the Hospital of Saint John of Jerusalem, Knights of Saint John, Knights of Jerusalem, Knights of Cyprus, Knights of Rhodes, Knights of Malta, Order of Malta and "The Religion."

Since the 17th century this noble Order has been known as the Sovereign Order of Saint John of Jerusalem, so named in honor of Saint John the Baptist and as a tribute to its place of foundation.

In 1908 the Order was established in America under the leadership of Col. William Lamb and various Hereditary Knights and Knights of Justice of the Order.

The Order has long considered itself a sovereign state. Its title "sovereign," signifies absolute freedom from any monarch or prince. One of the original defendants in this case, William G. Von Peters, wrote an article entitled "The Order of St. John in International Law," a copy of which was submitted with an affidavit on behalf of the Delaware corporation and made a part of the

record in this case. In this article Von Peters states that the Order "evolved from its beginnings as a religious community into a Sovereign State."

In addition to being a religious and military organization, the Order was always a republic, since all of its constitutions have provided that their Chief (Grand Master) was always elected from among themselves by their own nomination. Of this, there was no disagreement. It was substantiated by an affidavit and history submitted on behalf of the Delaware corporation and the Order.

On January 18, 1911, a New Jersey corporation was chartered and known as The Knights of Malta, Inc. It is doubtful whether this masonic corporation ever had

any affiliation with the catholic Order. The corporation charter, among other things, provided for the sale of burial insurance. This corporation was inactive from its inception until 1951 when a man named Charles Pichel sent in a corporate report asserting that he was the secretary/treasurer. In February, 1953, Mr. Pichel had the name of the corporation changed from The Knights of Malta, Inc., to The Sovereign Order of Saint John of Jerusalem.

In 1956 Mr. Pichel founded a non-profit Delaware corporation known as The Sovereign Order of Saint of Jerusalem, Inc. In 1958 Pichel, who was then Grand Chancellor of the Order, applied to register "Sovereign Order of Saint John of Jerusalem, Inc." (emphasis

added) as a collective membership mark in the U.S. Patent and Trademark Office pursuant to the Lanham Act, 15 U.S.C. 1051, et seq., Reg. No. 659477, issued March 11, 1958. The registrant was Pichel's Delaware corporation, Sovereign Order of Saint John of Jerusalem, Inc. The application for registration indicates that the name was first used on January 18, 1911, and that the mark had been used in commerce since January 18, 1911. The application also states that the mark is for "indicating membership in the organization." Knights of Malta, Inc., the New Jersey corporation was not related to the Sovereign Order per se, nor to the corporation which registered the mark.

At no time did the Order ever transfer the rights to any of its historic names to

either of Pichel's corporations in New Jersey or Delaware. Members of the Order were unaware that the collective membership mark was registered. Members of the Order were not required to obtain a license to use the mark from Pichel's corporation, and members of the Order continued to use the names and symbols of the Order in the United States and throughout the world without restraint until about 1980. Pichel's Delaware corporation was virtually unknown to the membership of the Order. They had no contact with it and neither Pichel nor his Delaware corporation sought to exercise control over the Order or its membership. Moreover, there is no proof in the record that members of the Order offered or agreed to submit the Order to the control of

Pichel's Delaware Corporation.

On December 19, 1977, Charles Pichel applied for a renewal of the mark. The application specifically states that the corporation owns the mark which is used to indicate membership in the organization and that Pichel was authorized to execute the application on behalf of "said Corporation." The renewal application for the collective membership mark omitted the abbreviated word, "Inc." The United States Patent and Trademark Office did not take note of the omission in the application.

About this time, a series of events led to the takeover of the Delaware corporation by those presently in control. And these, having gained the corporation, now want the Order, substituting a thousand-year-old

international order with a five-man Delaware corporation. Rather than license the Order's members, they seek to define membership by whom they choose to license.

1. In 1976 Don Roberto II became the seventy-third Grand Master of the Order. At this time Charles L. T. Pichel served under Roberto II as Grand Chancellor of the Order and President of the Corporation.

2. The Order was governed worldwide by a Supreme Council, which functioned like a board of directors. The Supreme Council included the Grand Master and leaders of the Order's Grand Priories. Some of the directors of the Corporation (F. Capell and T. Wiklund) were also members of the Supreme Council in the late 1970's. The Board of Directors of the Corporation usually met on

the same day and place as the Supreme Council.

3. On February 28, 1977, Charles Pichel resigned as president of the Corporation. At a meeting of the Supreme Council on the same day, Pichel resigned as Grand Chancellor of the Order. At the time of his resignation, Pichel named Thorbjorn Wiklund as the Grand Prior of Europe. He also named Frank A. Capell as Grand Prior of the Order for the territories of the United States and the rest of the world outside Europe and the British Commonwealth. Pichel also "certified and approved" eight individuals to make up the Supreme Council as of March 1, 1977, with five alternate members. These appointments and restructuring were approved by the Supreme

Council.

4. Thereafter, the Supreme Council duly met in New York City on November 26, 1977. The Supreme Council at this meeting eliminated the position of Grand Chancellor and provided that the world headquarters of the Order would no longer be at Shickshinny, Pennsylvania, but would be where the Prince Grand Master of the Order resided.

5. The Supreme Council met at the Order's offices in Malta on May 6, 1978. Regular business was conducted, including expulsions and suspensions. The Supreme Council met again on November 18, 1978, in New York City. At the next Supreme Council meeting on April 24, 1979, two additional members of the Supreme Council were added and a new constitution of the Order was

approved to be prepared. In addition, the Priors of Europe and the Commonwealth nations met in London, England, on April 20, 1979.

6. The Supreme Council met on May 10, 1980, in Vienna, Austria. Among other business, it was directed that:

> The Supreme Council directs that the authorized agent of the Delaware Corporation proceed to grant legal authorization for all priories of the Order throughout the world to use the registered trademark of the Order, which is owned and controlled by that Corporation.

7. On October 14, 1980, Frank A. Capell, the American Grand Prior of the Order, supposedly on his death bed, by a simple letter purported to delegate his duties as Grand Prior of the American Grand Priory to Salvatore Messineo, the man who

now effectively controls the Delaware corporation. On November 9, 1980, the Board of the Corporation allegedly met in New York City. The four directors expected to attend were Frank Capell, Salvatore Messineo, Leonard J. Messineo, Jr., and T. Wiklund. Capell died shortly before the meeting, and Wiklund was not in attendance. Nevertheless, the two Messineos held a "meeting" and proceeded to remove Wiklund as an officer and director of the Delaware corporation. The Messineo brothers then nominated to the Board Francisco J. Vasile, Aleksei N. Romanoff, and their father, Leonard J. Messineo, Sr. Immediately thereafter, the three Messineos were elected to fill all offices of the corporation. It was further resolved that all permission to

any group, including the Supreme Council of the Order, to use the trademarks, logos, or symbols of the Delaware corporation without the written permission of the corporation would be immediately withdrawn and rescinded as of March 31, 1981.

The Messineos had misled members of the American Grand Priory by assuring them there was incontrovertible evidence that Romanoff was actually the son of the Tsar. Von Peters, who had been a defendant in this case, asserted in his affidavit that it was historical fact that all members of Tsar Nicholas II's family had been executed in 1918 in Ekaterinburg, and that Romanoff was a fraud and an imposter.

In his affidavit filed with the trial court, Romanoff stated he was born on August

12, 1904, the son of Tsar Nicholas Ii, and heir to Imperial Russia. Among other astonishing revelations, he says that Adolph Hitler, the Duke of Clarence (a member of the British royal family), and Jack the Ripper were one and the same person. He claims to be the heir of $38 billion in Russian Imperial treasure which was sunk off Japan in the Russian warship Nakhimov. He has assigned 40 percent of his share of the treasure to the Delaware corporation for its charitable, religious, military, and patriotic works. For good measure he claimed ownership of the State of Alaska, stating it had only been leased to the United States, not purchased, and the lease has expired.

8. On March 25, 1981, a joint proclamation was issued by Sal Messineo and Romanoff. In it the aforesaid Aleksei Romanoff was recognized by Salvatore Messineo as being the rightful heir to the Russian throne. Messineo asserted Romanoff was the son and heir of the late Tsar Nicholas II of Russia. That very same day Romanoff "assumed" the role of the "Imperial Protector of the Order" and declared the "American Grand Priory" of the Order "to be the only legitimate descendant of the Order of Malta and the Grand Priory of Russia" and the "sole continuation of the ancient Order."

9. The Messineos, acting through the Delaware corporation, thus have attempted to exert all power over the Order through the

corporation's registered marks. The Messineos announced that effective March 31, 1981, only those licensed by the corporation to use the mark would be deemed formally affiliated with the Order, and those who use the name without permission would be prosecuted in court. A mark registered on behalf of the order had now become a weapon to destroy it.

10. On April 10, 1981, the Board of Directors of the Corporation met again. They noted that none of the European affiliates had agreed to conform to the Corporation's rules and regulations by the deadline date (March 31, 1981). They then abolished the Supreme Council of the Order. The Grand Priory of Europe was rescinded, and all individual members of the Order

living in Europe and the British Commonwealth nations were suspended immediately. All persons who claimed any affiliation with the Order's marks, its priories, and the "Order in general" were expelled by the Corporation.

The minutes of that meeting reflected that Salvatore Messineo had given an ultimatum to the Supreme Council in London the weekend before concerning licensing (of the registered mark). The Europeans were given until June 30, 1981, to announce whether or not they would acquiesce to Messineo's demands.

11. Romanoff proclaimed a "knightly emergency" and issued a lengthy proclamation on July 7, 1981. After many rambling recitals he purported to depose the existing

Lieutenant Grand Master of the Order and in his place appointed Salvatore Messineo as "Acting Lieutenant Grand Master" and head of the Order.

12. On August 1, 1981, the Order met in Gothenburg, Sweden and officially expelled the Messineo brothers. Roberto II, still Prince Grand Master of the Order, issued the following edict on the same date:

TO: Chev. Salvatore T. Messineo, OSJ
P.O. Box 696
Reading, PA 19603/USA

August 1, 1981

By my authority as Prince Grand Master of the Sovereign Order of Saint John of Jerusalem and with the consent of the Supreme Council of the Order, I, Robert II Paterno Ayerbe Aragona Castello Dei Duchi Di Caraci Peincipe D'Emanuel Duca Di Perpignano hereby revoke all your appointments in the Sovereign Order of Saint John of Jerusalem and expel you for unchristian and unknightly conduct.

The same edict was issued to Leonard Messineo on August 4, 1981 and it approved the formal expulsion of the Messineo brother by the Grand Master of the Order.

13. The actions and expulsions of the Messineos caused great disruption among members of the Order and their churches and priories. A meeting of Priors and leaders of the Order was held in Rockford, Illinois, in May of 1982. At this meeting, Sal Messineo claimed complete dictatorial powers over the Order by virtue of his control of the corporation, and the Messineos insisted that everyone must be "licensed" and take vows of poverty, chastity and obedience. Protestants were to have no religious privileges or rights within the Order.

14. Von Peters, as a Hereditary

Knight, began to contact other Hereditary Knights urging them to assert their authority and carry out their responsibility to preserve the true Order and rid the Order of the fraud and the internal strife that was plaguing it. By September of 1982 all of the known Hereditary Knights had supported the reestablishment. On September 29, 1982, new officers were elected under the name of the Association of Family Commanders of Hereditary Knights of Saint John. The headquarters of this Association was located in Tennessee at the Priory of the Order under the direction of Petitioner John L. Grady, a Knight Commander and Prior of the Order.

15. Nonetheless, the Messineos, acting as the corporation, carried out a systematic

elimination of priories and expulsions of many members of the Order. John L. Grady was expelled on November 14, 1982. Since the meeting of November 9, 1980, the sole members of the Delaware corporation have been the five directors that were named in paragraph seven, above.

16. William G. Von Peters, one of the two dismissed as defendants during the course of the proceedings, believed from his research that when internal strife within the Order threatened to disrupt or destroy it, it was incumbent on a certain group of members of the Order, known as Hereditary Knights, to come forward and restore order.

17. In 1991, after nine years of rebuilding the Order under the leadership of Grady and Von Stahl, a "Chapter General" of

the Order was held in Louisville, Kentucky. All known Knights of the Order worldwide were invited, and the dignified proceedings that followed are a matter of record in this case. A new constitution for the Sovereign Order was read, approved, and adopted. Dr. John Grady was then nominated and elected as the 75th Grand Master of the Order. The Chapter General concluded with a mass celebrated in the Church of Saint John the Baptist at the Order's Louisville Priory.

Petitioner Grady, along with the two others who were originally named as co-defendants in this case, have used the names of the Order on correspondence because they believed the names properly belong to the Order.

REASONS FOR GRANTING THE PETITION

I. **The decisions of the lower courts in this case disclose a fundamental misunderstanding of "incontestability" under the Lanham Act.**

On appeal to the Sixth Circuit Court of Appeals, Dr. Grady complained of not having been afforded any chance to contest the incontestability of a collective membership mark. The District Court had instructed the jury the mark was valid as a matter of law.

Dr. Grady pointed out, both in the trial court and on his appeal, that there are certain statutory pre-conditions to incontestability. The passage of time, the five years specified in the Lanham Act, does not alone make a mark incontestable.

In his brief to the Sixth Circuit, Grady went through a detailed analysis of

the Lanham Act. The bottom line was this: there are quite a number of pre-conditions to incontestability. In fact, as one commentator has said, "there may be as many as twenty-one possible exceptions to the status of an incontestable registration of a mark." McCarthy on Trademarks and Unfair Competition, J. Thomas McCarthy, Volume 4, page 32-179, paragraph section 32.44[5][a] (1996).

This was the issue Dr. Grady was given no opportunity to submit to a court, let alone to a jury. Was the mark incontestable? The District Court would not hear Dr. Grady's analysis of the Lanham Act. The court, basically, counted off five years and held the mark incontestable.

As a result, the only defenses even

theoretically available to Dr. Grady were the limited defenses available against an incontestable mark. Of those, the District Court thought only one arguably applicable to this case: fraud.

Having found no sufficient evidence of fraud - - because the court steadfastly refused to consider that the Order might have, as it does, an existence of its own separate and apart from any corporation - - the court foreclosed further inquiry into the issue of fraud by the grant of summary judgment. *App. F. p. 54a.*

The trial court had jurisdiction, which it refused to exercise, to make a much broader assessment. Had the court allowed itself to re-read the history of the Order proffered by both parties, it would have

been immediately apparent that the mark was not subject to registration because it consisted of "the flag or coat of arms or other insignia***of any foreign nation." *See 15 U.S.C. 1052(b)*

Had the court allowed itself to re-read the history of the Order, it would have seen at once that the corporation's use of the mark infringed "a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this act***." *See 15 U.S.C. 1065.* The court would have seen that the mark was not registrable as a collective mark "by persons and nations, States, municipalities, and the like," except by someone "exercising legitimate control over the use of the marks

sought to be registered***." *See 15 U.S.C. 154*. The court would have seen that it was crucial to determine the nature and identity of the Order - - indeed, even the very fact of its existence - - to determine whether this collective mark was registered by someone exercising "legitimate control" over the mark. The court would have seen that, otherwise, if not authorized by the Order, the mark registered would "falsely suggest a connection with persons, beliefs, or national symbols***." *See 15 U.S.C. 1052(a)*.

The Court of Appeals in this case has now endorsed this narrow construct of the judicial mandate. The courts are charged with the duty under the Lanham Act, and under the United States Constitution of

preventing removal of words from the lexicon by treating their registration as creating an incontestable private right of property where none exists, a right that can be challenged neither in nor out of court.

The analysis of both the majority and the dissenting opinions in Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189 (1985), anticipate a petition, such as this one, predicated upon the Lanham Act's language on trademark incontestability. The term "incontestability" can be misleading. The Lanham Act itself provides several challenges to a mark which, because of the passage of time, is presumptively incontestable.

As Justice Stevens has pointed out:

> Sec. 33(b) enumerates seven categories of defenses to an

> action to enforce an incontestable mark. See 15 U.S.C. 1115(b)***. In addition, a defendant is free to argue that a mark should never become incontestable for any of the four reasons enumerated in § 15. 15 U.S.C. 1065. Moreover, § 15 expressly provides that an incontestable mark may be challenged on any of the grounds in (c) and (e) of § 14, 15, U.S.C. § 1064, and those sections, in turn, incorporate the objections to registrability that are defined in §§ 2(a) and 2(b), and 2(c) of the Act. 15 U.S.C. §§ 1052(a), (b), and (c).
>
> Park 'N Fly v. Dollar Park & Fly, supra, at 469 U.S. 206, footnote one, Justice Stevens dissenting.

It is the Lanham Act itself, rather than any judicial inroads upon it, that makes this so. That is why Professor McCarthy has called incontestability the "swiss cheese" rule.

> Some fifty years after the Lanham Act became law, there is still doubt as to the exact scope of

which challenges are foreclosed and which are not by the status of "incontestability." The structure of the Act is to list those defenses or challenges which are not foreclosed. While section 33(b) lists eight exceptions to incontestability, it seems clear that section 33(b) incorporates the exceptions of section 15 by reference, and section 15 in turn incorporates section 14(c) and 14(e) by reference, and section 14(c) in turn incorporates the exceptions of section 2(a), (b), and (c) and section 4. As many as twenty-one possible exceptions to incontestability have been listed, although this may involve some double counting. Thus, it is legislative accident that the designation "incontestable" remained while the exceptions were engrafted in the legislative process. However, it is a mistake to count possible exceptions and unthinkingly equate quantity with quality and importance. Incontestable status is by no means an empty formalism.

McCarthy on Trademarks and Unfair Competition, J. Thomas McCarthy, Volume 4, page 32-176, paragraph section 32.147 (1996).

The District Court performed a truncated analysis, and the Court of Appeals affirmed. Under both the Lanham and the United States Constitution, it matters who the Order is. It matters to Dr. Grady, and under the First Amendment, it should matter generally, that no one can speak of the Order by name, no matter what their beliefs, without the express written permission of a family in Pennsylvania.

Once a mark has become incontestable, of course, fraud is a statutory defense. Section 33(b) of the Lanham Act, 15 U.S.C. 1115(b), so provides. But whether or not the mark has become incontestable in the first place is another thing; and it is, at least ordinarily, a question of fact, not just a matter of time.

The Court of Appeals issued its decision in this case on July 14, 1997. That Court did not simply brush aside Grady's analysis of the Lanham Act, but the Court was hesitant. The Court said, "even if" Grady's statutory analysis was correct, there was no error because there was no evidence in the record to challenge the mark on the statutory grounds enumerated in his brief.

The Court was plainly doubtful about the law and clearly wrong on the evidence. Had the Court properly understood the controlling law, it could not have said what it did about the evidence. The mark clearly belonged to the Order for hundreds of years. Everyone agreed to that. Section 15 of the Lanham Act, 15 U.S.C. 1065, says a

registered mark cannot become incontestable if its use ***

> ***infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this Act of such registered mark ***.

The mark was registered in 1958. The Order had been in this country since at least 1908. The mark had been in use for nine hundred years. The Order was, to say the least, a senior user.

Section 15 of the Lanham Act, 15 U.S.C. 1065, also says a registered mark will not become incontestable if there exists any of the grounds "for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 14 of this Act ***." Section 14, paragraph (3), says that

application to cancel a registration may be filed "at any time" if it was "obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 for a registration under this Act***." 15 U.S.C. 1064, in part.

A mark is obtained "contrary to the provisions of section 4" if it is obtained by one not exercising legitimate control over the mark. Section 4, which is 15 U.S.C. 1054, says collective marks may be registered "by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered***." (Emphasis added).

The mark was registered in 1958 by Charles Pichels' Delaware corporation.

Neither he nor his corporation was the Prince Grand Master or Supreme Counsel of the Order. Was the registrant acting for the Order? According to the affidavit of William G. Von Peters, it wasn't. As to the respondent corporation's proof, the law requires proof of agency from the principal. There was no such proof in this case -- there could have been none -- because the trial court expressly refused to decide who the true Order was, that is, who was the principal.

Section 4, supra, which governs the registration of collective marks, says that collective marks can be registered subject "to the provisions relating to registration of trademarks, so far as they are applicable.***" 15 U.S.C. 1054, in part.

Section 2 of the Act, 15 U.S.C. 1052, provides for the registration of trademarks. Subsection (a) says a mark will be refused registration if it consists of matter which may "falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols***." If the mark belongs to the Delaware corporation, and it doesn't even matter who the true Order is, then the mark "falsely suggests a connection with persons, living or dead, institutions, beliefs, or national symbols ***."

The mark signifies an Order which considers itself a nation, which sends ambassadors to foreign countries and enters into treaties with other nations. Everyone involved in this case said so. The members

also considers the Order a religion. Even Salvatore Messineo, the man who captured control of the corporation and through it hopes to control the Order, stated in his affidavit: "In origin, nature, and function, the Order is a religious organization."

Section 2, subsection (b) of the Act, states that a mark will be refused registration if it "consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof." 15 U.S.C. 1052(b). Again, the mark, with its insignia, is the mark of an Order which considers itself a nation, a theocratic state, which sends ambassadors to foreign countries and enters into treaties with other nations.

It is true that once a mark has become incontestable, there are only the eight defenses listed in the section 33(b) of the Lanham Act, 15 U.S.C. 1115(b). The presumption of the registrant's rights is conclusive, subject only to those eight defenses. However, section 33(b), which enumerates those defenses, doesn't say when a mark is incontestable. For that, reference must be had to another section. Section 33(b) itself makes the reference: to section 15 of the Act:

> To the extent that the right to use the registered mark has become incontestable under section 15 *** 15 U.S.C. 1115(b).

Section 15, in turn, incorporates the other sections that have been quoted and discussed. The statute and the evidence of record in this case required a fact-finder

to address the issue of incontestability. That issue was not addressed.

II. Though it is a trade regulation case, this case and this injunction touch upon freedoms of speech and association in a decidedly non-mercantile context.

This case involves a collective membership mark. Under Section 45 of the Lanham Act, a collective mark is to show membership in an organization. 15 U.S.C. 1127. The District Court expressly refused to decide who the true Order was, yet issued an injunction prohibiting Dr. Grady from claiming membership in the Order. The District Court said the issue in this case was simply a trademark issue.

The court was not going to try the issue of the identity of the Order; and it didn't. Who is the Order? Where is it now?

According to the opinion of the Court of Appeals in this case, the Order is now headquartered in Pennsylvania. That may have been what S.T. Messineo said in his affidavit; but that is not what William G. von Peters said in his affidavit. He and others worldwide, who in 1991 elected Dr. John Grady, the Grand Master of the Order, believe it is headquartered in Tennessee.

More important, it is not what the lower court found. The Order's identity and headquarters were never made the subject of a finding. Who the true Order is has not been litigated. The plaintiff told the District Court it was not an issue here. The District Court agreed: it was not an issue. It has not been tried but, somehow, it has been resolved. This sort of "issue

preclusion" the law should not permit.

The lower court did not find the Order was headquartered in Pennsylvania; and if it had, how could it lawfully have made such a finding? The lower court said the Order's identity was not going to be litigated in this case. Is the Delaware corporation the Order? If the ex parte recitals in the corporate charter say that it is, others in this case said it is not.

Charles Pichel may have inaugurated a corporation, but he didn't inaugurate the Order. He wasn't alive in 1048. He may have held a high position in the Order, but not the highest. Above him was the Prince Grand Master. He may have governed the corporation, but the Supreme Council was the governing body of the Order.

The failure to determine the identity of the Order in this case is not just a question of evidence, or conflicting evidence, or lack thereof. The District Court simply said it wasn't going to decide the issue. And it didn't. Yet, those who have desired that the issue be decided without an adjudication can derive a great deal of comfort and support from the opening paragraphs of the opinion of the Sixth Circuit Court of Appeals. That Court set forth a preliminary recitation of facts which establishes the pedigree of the Delaware corporation, amalgamates (or confuses) corporation and Order, and places the Order at home in its headquarters in Pennsylvania. These are "facts" found in neither this nor any other case.

The Court of Appeals in the present case got its "background facts" from two Pennsylvania cases that the Court cites in the opening paragraphs of its opinion. Even the District Court didn't rely on these cases. One reason is, the District Court didn't reach the issue of the Order's identity. Another is, the cases cited by the Court of Appeals did not themselves settle the issue.

Both of the cases cited by the Sixth Circuit were discussed in appellant's reply brief to that Court. As that brief pointed out, in Sovereign Order of Saint John of Jerusalem-Knights of Malta v. Messineo, 572 F.Supp. 983 (E.D. Pa. 1983), the court denied a motion for preliminary injunction. This was an interlocutory order only. It

did not finally decide any issue.

In Coleman v. Sovereign Order of Saint John of Jerusalem, Inc., Civil Action No. 90-5301, 1993 WL 34987 (E.D. Pa. 1993), the Trademark Trial and Appeal Board's decision was affirmed by the Pennsylvania District Court. In the decision affirmed by the latter court, the Trademark Trial and Appeal Board had specifically stated that the validity of the original application for the mark was not involved. That issue had not been raised by the petitioner, the Board stated, and it would not decide that issue.

Ultimately, everything in this case depends upon the identity of the Order. The injunction is for the Order and against anyone who is not a member and who claims to be one. The mark was supposedly registered

for the Order. It was the Order's mark before it was registered. If it was not registered for the Order, then the mark is invalid as a matter of law.

The corporation is not the Order. Evidence of this came from the corporation itself, in the affidavits submitted by it, and from the defendants' affidavits. In fact, throughout the litigation, the corporation insisted it was not the Order and was not accountable to the Order.

If the corporation holds the Order's mark, and may license the Order's members to use that mark, it is nevertheless the Order's mark and the Order's members. It is up to the Order to determine its membership, not the corporation. When there is a dispute as to membership, and where, as here, a

property right is involved, the issue is to be decided by the courts. Watson v. Jones, 80 U.S. 679, 20 L.Ed. 666 (1872); Purcell v. Summers, 145 F.2d 979 (4th Cir. 1944); National Spiritual Assembly of the Baha'is v. National Spiritual Assembly of the Baha'is, 150 U.S.P.Q. 346 (N.D. Ill. 1966). It has not been decided in this case.

If the corporation, and not the Order, now owns the collective membership mark, then why does the Order have the weapon of the injunction issued in this case? If the Delaware corporation could validly register or renew this mark, this was nevertheless a mark that clearly belonged to the Order. The corporation, if it legitimately holds the mark, does so only as agent of the Order.

In May of 1980, the Order directed the corporation, its agent, to grant licenses to the members of the Order for use of the Order's mark. The corporation has yet to comply with that command. In the meantime, Dr. Grady dare not speak for the historic Order which elected him to lead and represent it, nor to speak to others what he knows to be true.

CONCLUSION

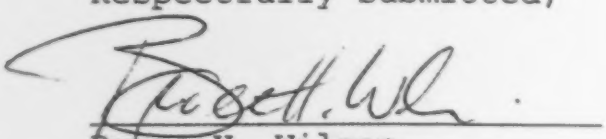
John L. Grady has been enjoined not to speak what he believes. The courts below may have thought of the Order as "more like a fraternal organization" than a religion; but to those involved in this case, it is more like a religion. The Order, to Petitioner Grady, embodies beliefs and ideals that have less to do with the United States

Constitution's Commerce Clause than with our constitution's First Amendment. Yet the petitioner, who claims to be a member of the Order, has been told by the lower courts he cannot say so outside the courtroom, after these courts had first decided they would not hear him say so *inside* the courtroom. This hardly sounds like due process. These decisions have created property rights where the law does not; and they have done so without according Dr. Grady his day in court.

Petitioner John L. Grady asks that this Court take jurisdiction of this case. The injunction has no lawful foundation. If its foundation is that the Delaware corporation holds the mark for itself, and not as agent for the Order, then this mark is not only

not incontestable, it is invalid as a matter of law. It was the Order's mark long before it was registered. The validity of the mark can only be sustained if it is the Order's mark. And the validity of the injunction can only be sustained by the resolution of an issue that has yet to be adjudicated: the identity of the Order.

Respectfully submitted,



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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SOVEREIGN ORDER OF SAINT JOHN
OF JERUSALEM, INC., et al,
Plaintiffs-Appellees
Cross-Appellants,

v.

JOHN L. GRADY,
Defendant-Appellant
Cross-Appellee.

Appeal from the United States District Court for the Eastern District of Tennessee at Chattanooga.

ORDER

Before LIVELY, MERRITT, and SUHRHEINRICH, Circuit Judges

Upon consideration of the petition for rehearing filed by appellant cross-appellee John L. Grady,

It is **ORDERED** that the petition for

rehearing be, and it hereby is **DENIED.**

ENTERED BY ORDER OF THE COURT

/s/Leonard Green, Clerk

Filed August 28, 1997

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SOVEREIGN ORDER OF SAINT JOHN
OF JERUSALEM, INC., et al,
Plaintiffs-Appellees
Cross-Appellants,

v.

JOHN L. GRADY,
Defendant-Appellant
Cross-Appellee.

Appeal from the United States District Court for the Eastern District of Tennessee at Chattanooga.

ORDER

BEFORE: LIVELY, MERRITT, and SUHRHEINRICH, Circuit Judges

The appellees cross-appellants have filed a petition for rehearing, which the panel grants to the following extent only:

the court directs removal of the first full sentence on page 4 of the slip option, which reads: "Predictably members could not obtain a license without paying a substantial fee." In all other respects the petition for rehearing is denied.

ENTERED BY ORDER OF THE COURT

/s/Leonard Green, Clerk

Filed August 28, 1997

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SOVEREIGN ORDER OF SAINT JOHN
OF JERUSALEM, INC., et al,
Plaintiffs-Appellees
Cross-Appellants,

v.

JOHN L. GRADY,
Defendant-Appellant
Cross-Appellee.

Appeal from the United States District Court for the Eastern District of Tennessee at Chattanooga.

JUDGMENT

BEFORE: LIVELY, MERRITT, and SUHRHEINRICH, Circuit Judges

ON APPEAL from the United States District Court for the Eastern District of Tennessee at Chattanooga.

THIS CAUSE was heard on the record from the district court and was argued by counsel.

IN CONSIDERATION WHEREOF, it is ORDERED that the judgment of the district court is AFFIRMED in part, REVERSED in part, and the case is REMANDED for further proceedings in accordance with the opinion of this court. IT IS FURTHER ORDERED that the plaintiffs' motion for assessment of double costs and damages under Fed. R. App. P. 38 is DENIED.

ENTERED BY ORDER OF THE COURT

/s/Leonard Green, Clerk

Filed July 14, 1997

APPENDIX D

119 F.3d 1236

SOVEREIGN ORDER OF SAINT JOHN
OF JERUSALEM, INC., et al,
Plaintiffs-Appellees
Cross-Appellants,

v.

JOHN L. GRADY,
Defendant-Appellant
Cross-Appellee.

Nos. 96-5321, 96-5410

DECIDED: July 14, 1997

Organization which held collective membership trademark "Sovereign Order of Saint John of Jerusalem" brought action against former member for trademark infringement and false designation of origin under Lanham Act and for unfair compeition under state law. Upon jury verdict in favor

of organization, the United States District Court for the Eastern District of Tennessee, R. Allan Edgar, J., entered injunctive relief. Former member appealed, and organization cross-appealed denial of attorney fees. The Court of Appeals, Lively, Circuit Judge, held that: (1) mark was incontestable; (2) organization did not fraudently obtain mark; (3) injunction was overbroad to extent that it prevented member from using related, but unregistered, names and symbols; and (4) organization was not entitled to attorney fees.

Affirmed in part, reversed in part, and remanded; organization's motion for double costs denied.

Hugh J. Moore, Jr. (argued), Douglas E. Peck, Joel A. Conkin (briefed), Witt, Gaither & Whitaker, Chattanooga, TN, for Plaintiff-Appellee.

Bruce H. Wilson (argued and briefed), Akron, OH, Richard P. Jahn, Jr. (briefed), Jahn & Clem, Chattanooga, TN, for Defendant-Appellant.

BEFORE: LIVELY, MERRITT, and SUHRHEINRICH, Circuit Judges

OPINION

LIVELY, Circuit Judge.

This long-running dispute involves the validity and alleged infringing use of a collective membership trademark registered by the plaintiff, Sovereign Order of Saint John of Jerusalem, Inc., a Delaware corporation(the Corporation). The defendant, John L. Grady, contests the validity of the mark on the ground that he, not the Corporation, represents the "true order" of St. John, and that the Corporation acted fraudulently in submitting the mark for registration. The district court found that the trademark was incontestable, and

therefore valid, and that the defendant's use of the mark constituted infringement. The court entered a broad injunction, which the defendant seeks to have set aside even if this court upholds the findings of validity and infringement.

I.

A.

The Sovereign Order of Saint John of Jerusalem (the Order) came into being about the time of the Crusades. While continuing to retain the trappings of its religious origins, the Order appears to have evolved into a fraternal organization. After having had various headquarters in Europe and elsewhere since its founding in the eleventh century, the Order finally made its home in America during the early part of this

century. At all times relevant to this lawsuit, the Order's headquarters have been in Pennsylvania. The history of the Order in America was uneventful until the 1950s, when Charles Pichel became its "Grand Chancellor." Pichel established the Corporation in 1956 to serve "as the historical and legal continuity" of the Order. *Sovereign Order of Saint John of Jerusalem--Knights of Malta v. Messineo*, 572 F.Supp. 983, 985 (E.D. Pa. 1983).

In this capacity, the Corporation, which was also controlled by Pichel until 1977, took steps to register the collective membership mark at the heart of this dispute: "Sovereign Order of Saint John of Jerusalem [Maltese Cross symbol] Knights of Malta [Maltese Cross symbol]." The

Corporation registered the mark in 1958 and renewed it in 1977. The Trademark Trial and Appeals Board and a federal district court recently upheld the validity of the mark. *Coleman v. Sovereign Order of Saint John of Jerusalem, Inc.*, Cancellation No. 14,038 (June 14, 1990), aff'd, No. 90-5301, 1993 WL 34987 (E.D. PA. Feb. 9, 1993). Aside from controlling the collective membership mark, the Corporation's chief functions have been to grant membership in the Order, maintain membership rolls, and enter into licensing agreements regarding the collective membership mark.

The present controversy stems from the Corporation's exercise of its power to grant or deny these licenses. Between Pichel's 1977 resignation and 1980 the Order was run

by a "supreme council," which acted in concert with the Corporation's board of directors. By admitting new members and expelling others, the supreme council completely changed its composition. Messineo, 572 F.Supp. at 986. Beginning in 1981, the Order required its members to obtain a license from the Corporation to use the collective membership mark on publications and other memorabilia. Predictably, members could not obtain a license without paying a substantial fee.

The defendant, John L. Grady, joined the Order in 1979 after having started the "American Christian Church and Order," which he hoped would become a legal affiliate of the Order. In 1982 Grade proposed to Salvatore T. Messineo, the President of the

Corporation and Lieutenant Grand Master of the Order, that the Corporation issue a license for Grady's organization to use its trademark. Messineo denied the request because of Dr. Grady's alleged participation in para-military and white supremacist groups, and the Corporation's board of directors expelled Grady from the Order in 1983. Despite his expulsion, the defendant continued to use the trademark, name, and other symbols of the Corporation and Order on, among other things, his letterhead and a newsletter that he published. He also claims to have represented the Order in such activities as signing a "Treaty of Amity" with a person alleged to be the exiled president of Poland. The defendant contends that his conduct was appropriate because the

Corporation had been taken over and the Order ruined by several members of the Messineo family and that it was therefore "incumbent on a certain group of members of the Order, known as Hereditary Knights, to come forward and restore order." At a "Chapter General" meeting in 1991, this faction of "Hereditary Knights" purportedly elected the defendant to serve as the 75th Grand Master of the Order.

B.

The Corporation originally filed this Lanham Act suit in 1983 seeking a declaratory judgment that the defendant had infringed its registered trademark in violation of 15 U.S.C. § 1114. The district court stayed the action pending resolution of collateral litigation. Inexplicably, the

Corporation did not move to lift the stay until 1994. On April 19, 1994, the Corporation finally filed an amended complaint and joined the Order as a co-plaintiff. In addition to Lanham Act claims for trademark infringement and false designation of origin, the amended complaint contained claims for RICO violations and Tennessee common law unfair competition. The defendant asserted three counterclaims based on his belief that the registration of the collective membership mark was fraudulently obtained and that the Order's leadership is illegitimate.

The district court granted summary judgment for the defendant on the RICO allegations and for the plaintiffs on all of the defendant's counterclaims. More

specifically, the court ruled as a matter of law that the collective membership mark is incontestable pursuant to 15 U.S.C. § 1065, and that there had been no fraud in its registration. A jury ultimately found that the defendant had knowingly infringed the collective membership mark in violation of 15 U.S.C. § 1125, and had unfairly competed with the Corporation. Although the jury declined to award damages, the district court provided broad injunctive relief in a judgment entered on October 20, 1995.

The district court subsequently denied the defendant's motion for judgment as a matter of law and for a new trial and the plaintiffs' motion for attorney fees under 15 U.S.C. § 1117. The defendant appealed from this order insofar as it denied his

motions, and the plaintiffs cross-appealed the denial of attorney fees.

II.

Although the defendant's motion for judgment as a matter of law and a new trial attributes 29 different errors to the trial court, the defendant makes three primary assignments of error on appeal: (1) the district court erred in ruling that the Corporation's collective membership mark is incontestable under 15 U.S.C. § 1065; (2) the court erred in holding as a matter of law that the defendant had not offered sufficient evidence of fraud in the procurement of the trademark for that defense and counterclaim to survive summary judgment; and (3) the court abused its discretion by enjoining the defendant from

using unregistered names and symbols of the Order. We review the first and second ruling de novo, as they were made in response to cross-motions for summary judgment. *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997).

A.

[1] The Lanham Act provides that a trademark becomes "incontestable" if not successfully challenged within five years of its registration. 15 U.S.C. § 1065; *Daddy's Junky Music*, 109 F.3d at 282. Once a trademark becomes incontestable, its registration constitutes "conclusive evidence of the validity of the registered mark and...of the registrant's ownership of the mark...[and] exclusive right to use the

registered mark in commerce." 15 U.S.C. § 1115(b). Once incontestability is established, only those eight defenses enumerated in § 1115(b) can be interposed in an action for trademark infringement. The purpose of incontestability in federal trademark law is, quite simply, to avoid having the validity of trademarks litigated endlessly.

[2] The district court ruled as a matter of law that the Corporation's mark is incontetable. This ruling had the practical consequence of foreglosing any attempt by the defendant to convince the jury that the trademark was invalid on the following grounds which he sought to assert: (1) that the Corporation did not exercise legitimate control over the collective membership mark

when it registered the mark in 1958; (2) that the name used in the mark falsely suggests a connection with institutions, beliefs, or national symbols; (3) that the mark impermissibly embodies the insignia of a foreign nation; (4) that the name used in the mark is the generic name of a religion and hence not subject to exclusive appropriation; and (5) that the Corporation cannot be the owner of common law trademarks which embody either the name of a geographic location or a patron saint.

The defendant contends that § 1115(b) should not preclude the presentation of these defenses to the jury. Grady notes that 15 U.S.C. § 1065, which provides for incontestable trademark status, refers to 15 U.S.C. § 1064(3), which in turn refers to §

1052. These statutes enumerate certain defenses that prevent a trademark from becoming incontestable, several of which the defendant sought to raise before the jury. These defenses, claims the defendant, can be raised at any time to contest the validity of a trademark. The problem with this argument is that, even if the defendant's statutory analysis is accurate, the defendant presented no evidence in the district court in support of these arguments. His pretrial "tender of proof," for instance, consists of nothing more than unsupported conclusory allegations. Moreover, this court has reviewed the record de novo without finding any evidence that would bolster the defendant's position. The district court therefore did not err in its

ruling.

The Corporation registered the mark in 1958, and no individual or entity challenged the validity of the registration, successfully or unsuccessfully, during the following five years. Thus, the collective membership mark is clearly incontestable and subject only to the eight defenses specified in § 1115(b). The defendant asserted only one of the eight in this action: that the mark was fraudulently obtained.

B.

[3] In addition to the various defenses that the district court properly excluded under § 1115(b), the defendant claims that the Corporation committed fraud in the registration of the collective membership mark. The Lanham Act provides that the

owner of a trademark used in commerce may register that mark with the Patent and Trademark Office, if, among a litany of other requirements, the owner "believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered...." 15 U.S.C. § 1051. The defendant contends that Charles Pichel, on behalf of the Corporation, violated the requirements of § 1051 and acted fraudulently when he registered the mark because he did not represent its owner. This was so, according to Grady, because the mark had belonged to the Order (and more specificlaly, the "true Order" that the defendant claims to represent) for several centures.

In granting summary judgment against the defendant on this counterclaim, the district court found, that "[c]areful review of the record shows no facts that lead to the conclusion that the Corporation did not in fact own the [collective membership mark] as of 1958." As the court pointed out, furthermore, a valid trademark registration requires only that the registrant "believe" himself to be the owner of the mark. See 15 U.S.C. § 1051. There is no reason to conclude that Charles Pichel did not believe that the Corporation owned the collective membership mark in 1958. At this time, Pichel was the "Grand Chancellor" of the Order, which had used the mark since long before its arrival in America. The Order had created the Corporation to serve as its

"historical and legal successor" and to hold its colelctive membership mark. *Messineo*, 472 F.Supp. at 985. Pichel apparently ran both the Corporation and Order at this time. *Id.* at 986. As in the district court, the defendant has offered nothing on appeal but conclusory allegations in support of his fraud-in-the-procurement theory. We affirm the order granting summary judgment in favor of the plaintiffs on this counterclaim.

III.

[4] We turn to the defendant's third argument on appeal--that the district court abused its discretion by enjoining the defendant from using not just the Corporation's registered trademark but also the numerous unregistered names and symbols by which the Order has been known since the

early Middle Ages. We review the scope of the injunctive relief granted only for an abuse of discretion.

United States v. Laerdal Manufacturing Corp., 73 F.3d 852, 854 (9th Cir. 1995). A district court abuses it discretion when it relies on clearly erroneous findings of fact, improperly applies the law, or uses an erroneous legal standard. *Southward v. South Central Ready Mix Supply Corp.*, 7 F.3d 487, 492 (6th Cir. 1993).

The injunctive relief granted by the district court is quite broad. It proscribes:

> using, inc conjunction with the above registered trademark, or otherwise, certain names or symbols customarily associated with the Sovereign Order of Saint John of Jerusalem, Knights of Malta, including, but not limited to, a double-headed Eagle symbol,

> the initials "O.S.J.," Hospitalers of Jerusalem, Knights Hospitalers, Knights of Saint John, Knights of the Crusades, Knights of Cyprus, Knights of Rhodes, Order of Malta, Knights of Malta, and Maltese Cross symbol, in such a manner as would likely cause confusion, mistake or deception about whether the defendant or any organization of which he is a member, is affiliated with the Sovereign Order of Saint John of Jerusalem, Inc. or the Sovereign Order of Sain John of Jerusalem-Knights of Matla, whose present headquarters is located in Reading Pennsylvania.

The parties agree that the district court enjoined the use of these unregistered names and symbols on the basis of the jury's verdicts on the federal claim of false designation of origin and the state law claim of unfair competition. Therefore, unless this court can affirm one or both of these verdicts, the injunction must be

vacated at least to the extent that it applies to unregistered names and symbols.

[5][6] The plaintiffs brought their claim for false designation of origin under § 43(a) of the Lanham Act, which, in pertinent part, provides that:

> Any person who, on or in connection with any goods or services,...uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of face, which--(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activies
>
> ***
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). This provision makes illigal a broad array of rather amorphous practices that are commonly arranged under the loose rubric of "unfair competition." *See Parameter Driven Software, Inc. v. Mass. Bay Ins. Co.*, 25 F.3d 332, 336-37 (6th Cir. 1994). Section 1125 differs from the federal trademark infringement statute, § 1114, to the extent that it accords protection to certain types of unregistered marks. *See, e.g., Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1512-13 (11th Cir. 1984) ("the use of another's unregistered, i.e., common law, trademark can constitute a violation of [§ 43(a)] where...the alleged unregistered trademarks used by the plaintiff are so associated with its goods that the use of the same or similar marks by

another company constitutes a [false] representation that its goods came from the same source")(citations and internal quotations omitted).

The defendant argues that the district court should not have allowed the false designation claim to go to the jury without first deciding the identity of the "true Order," which the court specifically declined to do. The defendant asserts that he cannot be guilty of false designation or unfair competition with the Order because he, in fact, represents the "true Order." The plaintiffs, of course, claim just the opposite: the Pennsylvania Order, being the "true Order," owns the right to use the unregistered names and symbols. The district court was not persuaded by the

defendant's argument and ruled that regardless of who represents the "true Order" of the Middle Ages, the Pennsylvania Order (the co-plaintiff) now owns the right to use the unregistered marks enumerated in the judgment granting injunctive relief.

Both parties overlook a fundamental problem with the false designation verdict stemming from the wording of the verdict form given to the jury. The verdict form contains five special interrogatories, the second of which pertains to the false designation claim:

> Has the defendant, John L. Grady, falsely designated the origin of goods and services in violation of 15 U.S.C. § 1125(a) by his use of the registered collective mark "SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM [Maltese Cross symbol] KNIGHTS OF MALTA [maltese Cross symbol]," and/or any of the following related marks, names,

> or symbols of the Sovereign Order of Saint John of Jerusalem, Knights of Malta: the double-headed eagle symbol; the newsletter O.S.J. Herald; or the name "SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM [Maltese Cross symbol] Hospitalers of Jerusalem, Knights Hospitalers, Knights of Sain John, The Religion, The Sovereign Order, Knights of the Crusades, Knights of Cyprus, Knights of Rhodes, Order of Malta, Knights of Malta [Maltese Cross symbol]"? (emphasis added).

Although the jury responded affirmatively to this interrogatory, because of the imprecise use of the "and/or" grammatical construction in the interrogatory this court cannot tell whether the jury based its decision on impermissible use of the registered collective mark or impermissible use of some or all of the unregistered names and symbols. This problem could have been avoided had the interrogatory been divided

into two questions, one dealing with false designation stemming from use of the registered mark, the second with false designation stemming from use of the unregistered marks. As the record stands, however, we cannot affirm the broad injunction on the basis of the false designation verdict. The court cannot be certain, as a matter of logic and grammar, whether the jury found that the defendant used the unregisteredmarks in such a way as to constitute false designation under federal law.

B.

[7] The injunctive relief granted by the trial court can be affirmed only if the jury's finding that the defendant violated Tennessee's law of unfair competition is

valid. Although Tennessee law regarding unfair compeition is not well-developed, it appears that there are three elements to this tort. A plaintiff must prove that: (1) the defendant engaged in conduct which "passed off" its organization or services as that of the plaintiff; (2) is engaging in such conduct, the defendant acted with an intent to deceive the public as to the source of services offered or authority of its organization; and (3) the public was actually confused or deceived as to the source of the services offered or authority of its organization. *Ferrari S.P.A. Esercizio Fabriche Automibili E. Corse v. Roberts*, 739 F.Supp. 1138, 1146 (E.D. Tenn. 1990), aff'd, 944 F.2d 1235 (6th Cir. 1991), cert denied, 505 U.S. 1219, 112 S.Ct. 3028,

120 L.Ed.2d 899 (1992); *United Van Lines, Inc. v. American Holiday Van Lines, Inc.*, 487 F.Supp. 235, 239 (E.D. Tenn. 1979). Tennessee's law of unfair competition differs significantly from the federal law of unfair competition in that the former requires a showing of "actual confusion," whereas the latter requires only a showing of a "likelihood of confusion." See 15 U.S.C. § 1125(a)(1); *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc.* 988 F.2d 587, 592 (5th Cir. 1993)("the touchstone of a section 1125(a) unfair compeition claim is whether the defendant's actions are 'likely to cause confusion'."); *Firsch's Restaurant, Inc. v. Shoney's Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985) (likelihood of confusion must be shown "at a minimum" for an

injunction under the Lanham Act).

[8][9] The trial court failed to recognize this critical distinction when instructing the jury on the unfair compeition claim:

> As I've said, "the central test for trademark infringement in 'likelihood of confusion'.["] The same test applies to unfair competition, which is the third claim made in this case. If you find that the plaintiffs have proved by a preponderance of the evidence that the names, words, signs, symbols, or devices used by the defendant...were likely to be confused with the trademark of the plaintiff[s], then you should return a verdict in favor of the plaintiffs. If you find that the plaintiffs have not proved the likelihood of confusion by a preponderance of the evidence, then you should return a verdict in favor of the defendant. (emphasis added).

The defendant apparently did not object to this clear misstatement of Tennessee law, a

failure which would normally be deemed a waiver. Fed.R.Civ.P. 51 ("No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, wtating distinctly the matter objected to and the grounds of the objection."). When an error in a jury instruction is obvious and prejudicial, however, this court may consider it in the interests of justice even if the prejudiced party does not object. *Chonich v. Wayne Co. Community College*, 973 F.2d 1271, 1275 (6th Cir. 1992), *Young v. Langley*, 973 F.2d 792 (6th Cir.), cert. denied, 479 U.S. 950, 107 S.Ct. 436, 93 L.Ed.2d 385 (1986). Because the jury instruction amounts to "plain error," we are unable to uphold the

injunction on the basis of the jury's finding on the state law claim of unfair compeition.

C.

The district court abused its discretion by improperly applying controlling law and using an erroneous legal standard to enjoin use by the defendant of unregistered marks, names or symbols associated with the Order. Thus, we must reverse the judgment in part. We affirm the injunction only to the extent it prohibits use by Grady of the registered collective membership trademark No. 659,477. All other provisions of the injunction are vacated and the case is remanded to the district court with directions to grant a new trial on the claims of federal false designation of

origin and state law unfair competition with respect to unregistered, common law marks, symbols and names.

IV.

The two remaining appellate issues require only brief treatment.

A.

[10] In addition to the three assignments of error previously discussed, the defendant raised another issue during oral argument before this court: whether the district court improperly barred the defendant from introducing evidence at trial regarding the plaintiff's alleged failure to enforce the colelctive membership mark for many years after its registration. The defendant did not present this argument in his motion for judgment as a matter of law,

or the supporting brief or in either of his appellate briefs. Because the defendant did not first raise the issue before the trial court, this court will not consider it. *Meade v. Pension Appeals & Review Committee*, 966 F.2d 190, 194 (6th Cir. 1992)("The general rule is that the circuit court will not address issues on appeal that were not raised and ruled upon below.").

B.

[11][12] The final issue on appeal is whether the district court abused its discretion in denying the plaintiff's motion for attorney fees. The Lanham Act authorizes the award of attorney fees to a prevailing party "in exceptional cases." 15 U.S.C. § 1117(a). The primary pupose of this provision is to make plaintiffs whole

in trademark cases where "the infringement was malicious, fraudulent, willful, or deliberate." *Hindo Incense v. Meadows*, 692 F.2d 1048, 1051 (6th Cir. 1982). Trial judges have considerable discretion in handling § 1117 motions for attorney fees. *Id.* at 1051-52. In the present case, the district court ruled that an award of attorney fees would not be appropriate despite the jury's explicit finding that the defendant had intentionally infringed the collective membership makr:

> The evidence in this case, taken as a whole, reveals the defendant Grady thought that he was entitled to rightfully use plaintiff's mark because of perceived historical and religious reasons. The Court, therefore, finds that while the defendant knew he was using the trademark, he did not do so maliciously, knowing that its use was contrary to law.

The court did not abuse its discretion.

The judgment of the district court is AFFIRMED in part, REVERSED in part, and REMANDED for further proceedings as outlined herein. Further, the plaintiffs' motion for assessment of double costs and damages under Fed.R.APp.P. 38 is DENIED.

APPENDIX E

United States District Court
Eastern District of Tennessee
At Chattanooga

1:83-CV-369

SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM, INC.; SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM - KNIGHTS OF MALTA,
Plaintiff,

v.

JOHN L. GRADY,
Defendant.

JUDGMENT AND INJUNCTION

Pursuant to the verdict of the jury in this case, JUDGMENT IS ENTERED for the plaintiffs insofar as the plaintiffs seek injunctive relief. The jury in this case has concluded that the defendant John L.

Grady has infringed, in violation of 15 U.S.C. § 1114, the plaintiffs' registered trademark; that the defendant John L. Grady has, in violation of 15 U.S.C. § 1125(a), falsely designated the origin of certain goods and services; and that the defendant John L. Grady has engaged in unfair competition under Tennessee law. Therefore, at the request of the plaintiffs, and pursuant to the jury's verdict, defendant John L. Grady is hereby ENJOINED (without the consent of the Sovereign Order of St. John of Jerusalem, Inc., a Delaware corporation, its successors and assigns) from:

(1) using, reproducing, copying, imitating or otherwise infringing collective membership mark 659,477 registered in the

United States Patent Office March 11, 1958, and subsequently renewed. (This trademark would be infringed by its use with or without the abbreviation, "Inc.");

(2) using, in conjunction with the above registered trademark, or otherwise, certain names or symbols customarily associated with the Sovereign Order of Saint John of Jerusalem, Knights of Malta, including, but not limited to, a double-headed Eagle symbol, the initials "O.S.J.," Hospitalers of Jerusalem, Knights Hospitalers, Knights of Saint John, Knights of the Crusades, Knights of Cyprus, Knights of Rhodes, Order of Malta, Knights of Malta, and Maltese Cross symbol, in such a manner as would likely cause confusion, mistake or

deception about whether the defendant or any organization of which he is a member, is affiliated with the Sovereign Order of Saint John of Jerusalem, Inc. or the Sovereign Order of Saint John of Jerusalem - Knights of Malta, whose present headquarters is located in Reading, Pennsylvania.

Insofar as the plaintiffs seek a monetary judgment against the defendant John L. Grady, JUDGMENT IS ENTERED for the defendant, and the plaintiffs shall take nothing. Plaintiffs shall recover their costs of action. Plaintiffs' claim for

attorney's fees will be the subject of a separate determination by this Court.

SO ORDERED.

ENTER:

/s/R. Allen Edgar
United States District Judge

Enter as a Judgment this
20th day of October, 1995
in Order Book 65, Page 20

R. Murry Hawkins, Clerk

By: Cyndee Halder
Deputy Clerk

APPENDIX F

United States District Court
Eastern District of Tennessee
At Chattanooga

1:83-CV-369

SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM, INC.; SOVEREIGN ORDER OF SAINT JOHN OF JERUSALEM - KNIGHTS OF MALTA,
Plaintiff,

v.

JOHN L. GRADY,
Defendant.

MEMORANDUM

This is a case involving trademark infringement, false designation of origin, and unfair competition. Because of the confusion evident in the final pretrial order submitted by the parties as to the

issues remaining to be tried, the Court feels it necessary to issue an opinion regarding the legal validity of a number of defenses raised by the defendants.

Despite this Court's rulings of law in this case (Court File Nos. 98, 109), defendants have inserted a number of defenses into the pretrial order relating to invalidity and misuse of the collective mark of the plaintiffs. We will treat each of these defenses separately so as to leave no doubt which issues remain for trial.

The defendants assert that the collective mark is invalid under 15 U.S.C. § 1051(a)(1) because the plaintiff Sovereign Order of Saint John of Jerusalem, Inc. (the "Corporation") was never the legitimate owner of the mark. The specific language of

the statute requires that the application form for trademark registration include, among other things,

> a statement to the effect that the person making the verification *believes* himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered....

15 U.S.C. § 1051(a)(1)(emphasis added). Clearly, the statute does not require that the firm, corporation, or association actually to be the owner of the mark at the time of the application, only that the person making the application believe that to be the case. A good deal of the memorandum issued by this Court on the defendants' summary judgment motion (Court File No. 98) was devoted to an explanation of how this mark had become incontestable,

and the effects of incontestability on the defenses which can be raised against the mark. Incontestability limits the defenses available to an alleged infringer under 15 U.S.C. § 1115(b), and the Court has already ruled that those defenses raised by defendants under § 1115(b) could not survive summary judgment. The defendants seem to wish to use § 1051(a)(1) to argue, in effect, the defense available under § 1115(b)(1) namely:

"[t]hat the registration or the incontestable right to use the mark was obtained fraudulently...." 15 U.S.C. § 1115(b)(1). The Court has already ruled as a matter of law that this defense does not apply in this case. Furthermore, given the Court's ruling of law that the mark is

incontestable, defendants are foreclosed from asserting any defenses to the validity of the mark except for those laid out in § 1115(b). Otherwise, the validity of trademarks could be litigated endlessly, an outcome which the concept of incontestability was clearly intended to avoid.

Defendant has asserted several other defenses, to wit:

> That the Corporation did not exercise legitimate control over the use of the marks sought to be registered;
>
> That the name used in the collective mark falsely suggests a connection with institutions, beliefs, or national symbols;
>
> That the collective mark embodies the insignia of a foreign nation and/or a simulation thereof;
>
> That the name used in the collective mark is the generic

> name of a religion, and hence not subject to exclusive appropriation;
>
> That the Corporation cannot be the owner of common law trade names which embody either the name of a geographic location or a patron saint.

Final Pretrial Order at 5 (Court File No. 114). For reasons expressed above, the Court holds that these defenses may not be raised due to the incontestability of the mark. They do not appear in the list of defenses under § 1115(b), and they may not be argued in this trial. The assertion by defendant in the pretrial order that "[e]ven though the collective mark is 'incontestable,' its validity may nonetheless be attacked in the following respects, whether or not fraud was involved in the obtaining of the mark," Final

Pretrial Order at 5 (Court File No. 114) is simply a misstatement of the law. Section 1115(b) states that, for incontestible trademarks, "the registration shall be *conclusive* evidence of the registrant's exclusive right to use the registered mark...." 15 U.S.C. § 1115(b).

The defendant also raises the issue of "misuse." Final Pretrial Order at 6 (Court File No. 114). Basically, the "misuse" complained of here is that the mark was abandoned because the plaintiffs ceased using it as a collective mark. It is defendant's contention that a collective mark cannot be used by the owner of that mark, but only by "members" of the owner. Any use by the owner itself should result in cancellation of the registration of the

mark. The plaintiff Corporation has without doubt used the mark.

The prohibition against use by the owner of a collective mark is called in the literature the "Anti-Use by Owner Rule," and it is borrowed from the law of certification marks. The rationale for the Rule in the case of certification marks comes from 15 U.S.C. § 1065, which allows for cancellation of registration (even if the mark is incontestable) if

> [a]t any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify

> or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies....

15 U.S.C. § 1064(5). The confusion seems to come from 15 U.S.C. § 1054, which deals with registration of collective and certification marks. This section was revised as a part of the Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935 (effective Nov. 16, 1989). As originally written, 15 U.S.C. § 1054 allowed for registration of collective and certification marks separate from other marks, and it was apparently this lumping together that caused the Anti-Use Rule to be imported from one to the other. The section currently reads as follows, with revisions from the Trademark Law Revision Act, and with pertinent new material in

italics:

> Subject to the provisions relating to the registration of trade-marks, so far as they are applicable, collective and certification marks, including indications of regional origin shall be registrable under this chapter, in the same manner and with the same effect as are trade-marks, persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trade-marks, except *in the case of certification marks* when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trade-marks.

15 U.S.C. § 1054 (emphasis added). The new differentiation between certification and collective marks makes clear that the Anti-Use by Owner Rule is not applicable to collective marks now, if indeed it ever was.

In *Roush Baker Prods., Inc. v. F.R. Lepage Bakery, Inc.*, 13 U.S.P.Q.2d 1045 (U.S. Patent and Trademark Office Trademark Trial and Appeal Board 1989), the Trademark Trial and Appeal Board (TTAB) reversed an earlier position and decided that the Anti-Use by Owner Rule should not apply to collective marks. *Id.* at 1051. The case was originally decided on the basis of application of the Anti-Use by Owner Rule against a holder of a collective mark, but went up and down the appellate ladder until the Federal Circuit finally sent the case

back to the TTAB in light of the statutory revisions of the Trademark Law Revision Act of 1988 for reconsideration of whether collective marks are subject to the Anti-Use by Owner Rule. *F.R. Lepage Bakery, Inc. v. Roush Bakery Prods. Co.*, 863 F.2d 43, 44 (Fed. Cir. 1988) (vacating and remanding 851 F.2d 351 (Fed. Cir. 1988)).

With the issue of whether the Anti-Use by Owner Rule applies to collective marks squarely before it, the TTAB considered the revisions to the statutory provisions, the United States Trademark Association Trademark Review Commission Report and Recommendations on the United States Trademark System and the Lanham Act, and a declaration by Professor McCarthy. *Roush Bakery Prods., Inc. v. F. R. Lepage Bakery,*

Inc., 13 U.S.P.Q.2d 1045, 1050-51 (U.S. Patent and Trademark Office Trademark Trial and Appeal Board 1989). The Board state that

> in view of the Trademark Review Commission's report stating its belief that the Anti-Use-by-Owner rule was intended to apply only to certification marks, not to collective marks; Professor McCarthy's declaration expressing his agreement therewith; and the subsequent amendment of Section 4 of the Lanham Act as recommended by the Trademark Review Commission, we no longer believe that the Anti-Use-by-Owner rule is applicable to collective marks.

Id. at 1051. In light of this decision, this Court is persuaded that the Anti-Use by Owner Rule indeed does not apply to the collective mark here at issue. Matters relating to this will not be litigated at trial.

The defendant's contention that the mark was misused because "[t]here is no association of members of the Corporation to be licensed under the collective mark," Final Pretrial Order at 6 (Court File No. 114), is also incorrect. According to McCarthy on Trademarks,

> [c]ollective trademarks and service marks are marks used only by members of an organization to identify and distinguish their goods or services. The collective organization itself *neither sells goods nor performs services under the mark, but may advertise or promote goods or services sold by its members under the mark.* This is an organization of sellers who each use the mark to indicate that the goods or services that they sell are provided by members of the organization who meet its standards for admission. Examples would be an agricultural cooperative of sellers of farm produce or an organization like the Professional Golfers Association.

McCarthy on Trademarks § 19.34[1][a] (emphasis added). The statutory definition of collective mark is as follows:

> The term "collective mark" means a trademark or service mark--
>
> (1) used by the members of a cooperative, and association, or other collective group or organization, or
>
> (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, and includes marks indicating membership in a union, an association, or other organization. 15 U.S.C. § 1127.

The facts of this case show clearly that the plaintiff Corporation owns the collective mark, which it allows members of the plaintiff Sovereign Order of Saint John of Jerusalem - Knights of Malta (the "Order") to use. Defendant asserts that there are no "members" of the Corporation,

but this argument is circular. There are clearly "members" recognized by the Order, and these "members" are allowed by the Corporation to use the collective mark. The statutory definition--"used by members of a cooperative, an association, *or other collective group or organization*"--is sufficiently broad to encompass the relationship between the plaintiff Corporation and the plaintiff Order. As such, this issue is not to be decided at trial.

The defendant argues that the mark has been misused because it "has been used to attempt to control a religion." Final Pretrial Order at 6 (Court File No. 114). The Court has already found that the Order as represented by the Corporation is not a

religion. Regardless, the proposition that the collective mark is invalid because of its use in this case is an incorrect interpretation of the law. Clearly, a religious association has legal capacity to bring an action for trademark infringement. An example of such a case is *National Spiritual Assembly of the Baha'is of the United States of America under the Hereditary Guardianship, Inc. v. National Spiritual Assembly of the Baha'is of the United States of America, Inc.*, 150 U.S.P.Q. 346 (N.D. Ill. 1966). The plaintiff owned valid federally registered marks, and had used those marks to "establish[] invaluable and protectable good will among the general public in increasingly greater numbers." *Id.* at 354. In allowing the maintenance of

the action, the Northern District of Illinois concluded:

> 12. The right to use the Baha'i symbols, names, and marks inheres in the Baha'i Faith, not in its members. When individuals are not or cease to be members, use by them of the designations of the Faith is misleading and deceptive. There is only one Baha'i Faith. The NSA is duly authorized by the Universal House of Justice as the highest authority for the Faith in continental United States and is entitled to exclusive use of the marks and symbols of the Faith.
>
> 13. No question of religious liberty is involved. The New Mexico group has the right to organize and worship according to its dictates, but it has no right in doing so to utilize names and marks which will enable it to appropriate the good will which has been earned by an unrelated organization and to subject the general public to confusion, deception, and mistake.

Id. at 355. The parallel between the Baha'i case and the instant case is quite strong,

and the Court is persuaded by the logic of the Northern District that the Corporation and Order are well within legal bounds in asserting trademark rights against the defendant. As a matter of law, this contention is foreclosed at trial.

/s/R. Allan Edgar
United States District Judge

Filed October 20, 1995

APPENDIX G

FEDERAL TRADEMARK ACT OF 1946, AS AMENDED (THE LANHAM ACT)

SEC. 1 ***(15 U.S.C.S. 1051).(a)*** The owner of a trademark used in commerce may apply to register his or her trademark under this Act on the principal register hereby established:

(1) By filing in the Patent and Trademark Office

(A) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, the date of applicant's first use of the mark, the date of applicant's

first use of the mark in commerce, the goods on or in connection with which the mark is used and the mode or manner in which the mark is used in connection with such goods, and including a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered, that the mark is in use in commerce, and that no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to

cause mistake, or to deceive: *Provided*, That in the case of every application claiming concurrent use the applicant shall state exceptions to his claim of exclusive use, in which he shall specify, to the extent of his knowledge, any concurrent use by others, the goods on or in connection with which and the areas in which each concurrent use exists, the periods of each use, and the goods and area for which the applicant desires registration;

SEC. 2 ***(15 U.S.C. 1052)***. No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it

--

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 2(9) of the Uruguay Round Agreements Act) enters into force with respect to the United States.

SEC. 2 ***(15 U.S.C. 1052)***. No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it --

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.

SEC. 4 ***(15 U.S.C. 1054)***. Subject to the provisions relating to the registration of trademarks, so far as they are applicable, collective and certification marks, including indications of regional origin, shall be registrable under this Act, in the same manner and with the same effect as are

trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided herein in the case of trademarks, except in the case of certification marks when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

SEC. 14 ***(15 U.S.C. 1064)***. A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this Act.

(2) Within five years from the date of publication under section 12(c) hereof of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it

is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 for a registration under this Act, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name

of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 12 of this Act.

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over,

the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this Act, and the prescribed fee shall not be required.

SEC. 15 ***(15 U.S.C. 1065)***. Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 14 of this Act, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this Act of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable:

Provided, That --

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce and the other matters

specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this Act shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 12 of this Act.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

SEC. 33 ***(15 U.S.C. 1115)*** (b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15, or in the renewal

application filed under the provisions of section 9 if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the

registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a

date prior to (A) the date of constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 of this Act: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned:

Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

SEC. 43 ***(15 U.S.C. 1125).*** (a)(1)Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or

misleading description of fact, or false or misleading representation of fact, which

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State,

instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

SEC. 45 ***(15 U.S.C. 1127)***. In the construction of this Act, unless the contrary is plainly apparent from the context --

Collective Mark. The term "collective mark" means a trademark or service mark--

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, an association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, and includes marks indicating membership in a union, an association, or other organization.